

TOWN OF MONTGOMERY, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JULY 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

2/4/09

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January 22, 2009

Independent Auditors' Report

To the Mayor and Board of Aldermen
Town of Montgomery, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of and for the year ended July 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Montgomery's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of July 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have

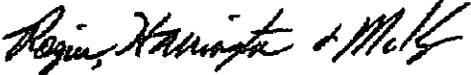
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applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Montgomery's basic financial statements. The Schedule of Per Diem Paid to Board Members is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Per Diem Paid to Board Members has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respected in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2009, on our consideration of Montgomery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town Of Montgomery

Management's Discussion And Analysis ***July 31, 2008***

This section of the Town of Montgomery's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended July 31, 2008.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with utility and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

Town Of Montgomery

Management's Discussion And Analysis **July 31, 2008**

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility and sewer services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	<u>July 31, 2008</u>			<u>July 31,</u>
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>2007</u>
<u>Assets:</u>				
Current and Other Assets	\$ 45,687	\$ 258,765	\$ 304,452	\$ 306,560
Capital Assets	155,528	2,029,306	2,184,834	2,219,448
Total Assets	<u>201,215</u>	<u>2,288,071</u>	<u>2,489,286</u>	<u>2,526,008</u>
<u>Liabilities:</u>				
Current and Other Liabilities	20,227	95,378	115,605	104,500
Long-term Liabilities	—	24,000	24,000	36,000
Total Liabilities	<u>20,227</u>	<u>119,378</u>	<u>139,605</u>	<u>140,500</u>
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	155,528	1,994,306	2,149,834	2,173,448
Restricted	—	54,700	54,700	53,299
Unrestricted	25,460	119,687	145,147	158,761
Total Net Assets	<u>\$ 180,988</u>	<u>\$ 2,168,693</u>	<u>\$ 2,349,681</u>	<u>\$ 2,385,508</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (91.5%) is invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (2.3%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders. The remaining unrestricted net assets (6.2%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Town Of Montgomery

Management's Discussion And Analysis ***July 31, 2008***

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	For the Year Ended July 31, 2008			For the Year Ended July 31, 2007
	Gov- ern- men- tal Acti- vities	Busi- ness- Type Acti- vities	Total	
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 21,146	\$ 424,009	\$ 445,155	\$ 436,566
Operating Grants and Contributions	23,656	—	23,656	18,208
Capital Grants and Contributions	16,000	104,251	120,251	12,400
General Revenue:				
Property Taxes	15,844	—	15,844	13,300
Sales Taxes	53,067	—	53,067	41,770
Franchise Taxes	13,551	—	13,551	16,262
Occupational Licenses	29,200	—	29,200	28,993
Miscellaneous	4,522	2,382	6,904	9,462
Total Revenue	176,986	530,642	707,628	576,961
<u>Program Expenses:</u>				
General Government	59,950	—	59,950	66,254
Public Safety				
Police Department	106,745	—	106,745	91,996
Fire Department	37,217	—	37,217	34,584
Public Works				
Sanitation	2,441	—	2,441	2,195
Streets	21,341	—	21,341	18,999
Culture and Recreation	7,675	—	7,675	7,896
Utility System	—	439,199	439,199	428,572
Sewer System	—	68,887	68,887	71,170
Total Expenses	235,369	508,086	743,455	721,666
Increase in Net Assets Before Transfers	(58,383)	22,556	(35,827)	(144,705)
Transfers	54,000	(54,000)	—	—
Change in Net Assets	(4,383)	(31,444)	(35,827)	(144,705)
Net Assets Beginning	185,371	2,200,137	2,385,508	2,530,213
Net Assets Ending	\$ 180,988	\$ 2,168,693	\$ 2,349,681	\$ 2,385,508

Governmental activities decreased the Town's net assets by \$4,383. This decrease is attributable to depreciation expense incurred in connection with assets acquired in previous years.

Business-type activities decreased the Town's net assets by \$31,444. Capital grants and related depreciation have contributed to the change in net assets. Since the Town has been successful in securing grant funds to improve and replace components of its utility and sewer systems, it is not

Town Of Montgomery

Management's Discussion And Analysis **July 31, 2008**

considered necessary to recover depreciation through operations. Changes in net assets excluding capital grants, contributions and depreciation for the water and sewer systems are presented as follows:

	<u>Utility System</u>	<u>Sewer System</u>	<u>Total</u>
Change in Net Assets	\$ (104,007)	\$ 72,563	\$ (31,444)
Depreciation	86,512	44,045	130,557
Grant Funds Dedicated to Sewer System Improvements	—	(104,251)	(104,251)
Change in Net Assets Excluding Capital Grants, Contributions and Depreciation	<u>\$ (17,495)</u>	<u>\$ 12,357</u>	<u>\$ (5,138)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the year ended July 31, 2008, activity in governmental funds was limited to the general fund, which experienced an increase in fund balance of \$3,924. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets in the government-wide presentation.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

The general fund is the only fund required by law to adopt a budget. A summary of the general fund budget compared to actual amounts is presented as follows:

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues	\$ 143,360	\$ 160,060	\$ 176,986	\$ 16,926
Total Expenditures	174,500	203,685	227,062	(23,377)
Excess (deficiency) of revenues over expenditures	(31,140)	(43,625)	(50,076)	(6,451)
Operating Transfers	31,140	43,625	54,000	10,375
Net Change in Fund Balances	<u>\$ -----</u>	<u>\$ -----</u>	<u>\$ 3,924</u>	<u>\$ 3,924</u>

The original budget adopted prior to the beginning of the fiscal year was amended to reflect minor changes in anticipated revenues and adjust appropriations to conform with expectations. Expenditures exceeded appropriations because grant funds were expended that had not been anticipated when the budget was amended.

Town Of Montgomery

Management's Discussion And Analysis ***July 31, 2008***

CAPITAL ASSET ADMINISTRATION

Acquisition of capital assets is summarized as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
New Police Car	\$ 19,857	\$ ---	\$ 19,857
Construction in Process (LCDBG Sewer Grant)	---	104,251	104,251
Total Additions	<u>\$ 19,857</u>	<u>\$ 104,251</u>	<u>\$ 124,108</u>

In addition to the acquisitions described above, the Town has also disposed of some obsolete equipment that has been fully depreciated.

DEBT ADMINISTRATION

For the year ended July 31, 2008, the Town did not incur any additional debt. Furthermore, existing debt was limited to revenue bonds that were issued in connection with the construction of the sewer system. At year end revenue bonds payable totaled \$35,000. Principal payments totaled \$11,000, which represents 23.9% of the outstanding balance.

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

No significant factors are expected to affect operations in the near future.

Town of Montgomery

Statement of Net Assets

July 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 26,875	\$ 179,957	\$ 206,832
Receivables (net)	18,812	22,958	41,770
Restricted assets			
Cash and cash equivalents	-	51,064	51,064
Receivables	-	4,786	4,786
Capital assets not subject to depreciation	13,680	141,266	154,946
Depreciable capital assets, net	<u>141,848</u>	<u>1,888,040</u>	<u>2,029,888</u>
Total assets	<u>201,215</u>	<u>2,288,071</u>	<u>2,489,286</u>
 <u>LIABILITIES</u>			
Accounts payable	11,362	24,307	35,669
Deferred Revenue	8,865	-	8,865
Meter deposits	-	58,921	58,921
Liabilities payable from restricted assets			
Accrued interest payable	-	1,150	1,150
Long-term debt			
Due within one year	-	11,000	11,000
Due in more than one year	<u>-</u>	<u>24,000</u>	<u>24,000</u>
Total liabilities	<u>20,227</u>	<u>119,378</u>	<u>139,605</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	155,528	1,994,306	2,149,834
Restricted for debt service	-	54,700	54,700
Unrestricted	<u>25,460</u>	<u>119,687</u>	<u>145,147</u>
Total net assets (deficit)	<u>\$ 180,988</u>	<u>\$ 2,168,693</u>	<u>\$ 2,349,681</u>

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Balance Sheet - Governmental Funds July 31, 2008

	<u>General</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 26,875
Receivables (net)	<u>18,812</u>
Total assets	<u>\$ 45,687</u>
<u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Accounts payable	\$ 11,362
Deferred Revenue	<u>8,865</u>
Total liabilities	<u>20,227</u>
<u>Fund Balance</u>	
Unreserved	<u>25,460</u>
Total Fund Balances	<u>25,460</u>
Total Liabilities and Fund Balance	<u>\$ 45,687</u>

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Assets

Total Fund Balances - Governmental Funds	\$ 25,460
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>155,528</u>
Net Assets of Governmental Activities	<u>\$ 180,988</u>

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Revenue, Expenditures and Changes in Fund Balance Governmental Funds Year Ended July 31, 2008

	<u>General</u>
Revenues:	
Taxes:	
Ad valorem	\$ 15,844
Sales Tax	53,067
Franchise	13,551
Occupational licenses	29,200
Intergovernmental	36,480
Fines and Court Cost	15,246
Miscellaneous	13,598
Total revenues	<u>176,986</u>
Expenditures:	
Current	
General government	57,225
Public Safety	
Police department	97,095
Fire department	22,629
Public works	
Sanitation	2,441
Streets	20,140
Culture and recreation	7,675
Capital outlay	19,857
Total expenditures	<u>227,062</u>
Excess (deficiency) of revenues over expenditures	(50,076)
Other sources (uses)	
Operating transfers in	54,000
Operating transfers out	-
Net Change in Fund Balances	3,924
Fund balance - beginning of year	21,536
Fund balance - end of year	<u>\$ 25,460</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances of Governmental Funds	\$ 3,924
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. Capital outlay and depreciation expense are presented as follows:	
Capital Outlay	19,857
Depreciation Expense	<u>(28,164)</u>
Change in net assets of governmental activities	<u>\$ (4,383)</u>

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Net Assets - Proprietary Funds

July 31, 2008

	Business-Type Activities - Enterprise Funds		
	Utility System	Sewer System	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 170,868	\$ 9,089	\$ 179,957
Receivables (net)	<u>22,958</u>	<u>-</u>	<u>22,958</u>
Total current assets	<u>193,826</u>	<u>9,089</u>	<u>202,915</u>
Restricted Assets:			
Cash and cash equivalents	-	51,064	51,064
Receivables (net)	<u>-</u>	<u>4,786</u>	<u>4,786</u>
Total restricted assets	<u>-</u>	<u>55,850</u>	<u>55,850</u>
Noncurrent Assets:			
Capital Assets:			
Capital assets not subject to depreciation	37,015	104,251	141,266
Depreciable capital assets, net	<u>1,426,683</u>	<u>461,357</u>	<u>1,888,040</u>
Total noncurrent assets	<u>1,463,698</u>	<u>565,608</u>	<u>2,029,306</u>
Total assets	<u>1,657,524</u>	<u>630,547</u>	<u>2,288,071</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	21,637	2,670	24,307
Meter deposits	<u>58,921</u>	<u>-</u>	<u>58,921</u>
Total current liabilities	<u>80,558</u>	<u>2,670</u>	<u>83,228</u>
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	-	1,150	1,150
Current portion of long-term debt	-	11,000	11,000
Noncurrent Liabilities:			
Long-term debt	<u>-</u>	<u>24,000</u>	<u>24,000</u>
Total liabilities	<u>80,558</u>	<u>38,820</u>	<u>119,378</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,463,698	530,608	1,994,306
Restricted for debt service	-	54,700	54,700
Unrestricted	<u>113,268</u>	<u>6,419</u>	<u>119,687</u>
Total net assets (deficit)	<u>\$ 1,576,966</u>	<u>\$ 591,727</u>	<u>\$ 2,168,693</u>

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds Year Ended July 31, 2008

	Business-Type Activities - Enterprise Funds		
	Utility System	Sewer System	Totals
<u>Operating revenues:</u>			
Charges for services	\$ 373,902	\$ -	\$ 373,902
Charges for services pledged as security for revenue bonds	-	34,671	34,671
Miscellaneous	14,260	1,176	15,436
Total Operating Revenues	388,162	35,847	424,009
<u>Operating expenses:</u>			
Salaries and payroll taxes	82,401	-	82,401
Chemicals and supplies	35,293	7,180	42,473
Laboratory testing	-	1,248	1,248
Depreciation	86,512	44,045	130,557
Gas purchases	154,691	-	154,691
Insurance	22,600	369	22,969
Utilities	25,154	8,212	33,366
Legal & Professional	21	-	21
Repairs and maintenance	25,883	5,674	31,557
Miscellaneous	6,644	110	6,754
Total operating expenses	439,199	66,838	506,037
Operating income (loss)	(51,037)	(30,991)	(82,028)
<u>Non-operating revenues (expenses):</u>			
Interest income	1,030	1,352	2,382
Interest expense	-	(2,049)	(2,049)
Total Non-operating revenues	1,030	(697)	333
Income (loss) before capital contributions and transfers	(50,007)	(31,688)	(81,695)
<u>Contributions and transfers:</u>			
Capital Contributions	-	104,251	104,251
Operating transfers in (out)	(54,000)	-	(54,000)
Change in net assets	(104,007)	72,563	(31,444)
Total net assets - beginning	1,680,973	519,164	2,200,137
Total net assets - ending	\$ 1,576,966	\$ 591,727	\$ 2,168,693

The accompanying notes are an integral part of the financial statements.

Town of Montgomery

Statement of Cash Flows - Proprietary Funds Year Ended July 31, 2008

	Business-Type Activities - Enterprise Funds		
	Utility System	Sewer System	Totals
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 389,278	\$ 35,226	\$ 424,504
Cash payments to suppliers of goods and services	(264,571)	(22,754)	(287,325)
Cash payments to employees for services	(82,401)	-	(82,401)
Net cash provided (used) by operating activities	42,306	12,472	54,778
<u>Cash flows from non-capital financing activities:</u>			
Operating transfers out	(54,000)	-	(54,000)
Net cash provided (used) by non-capital financing activities	(54,000)	-	(54,000)
<u>Cash flows from capital and related financing activities:</u>			
Cash paid for capital assets	-	(104,251)	(104,251)
Cash received from capital grants	-	104,251	104,251
Principle paid on revenue bonds	-	(11,000)	(11,000)
Interest paid on debt instruments	-	(2,299)	(2,299)
Net cash provided (used) by capital and related financing activities	-	(13,299)	(13,299)
<u>Cash flows from investing activities:</u>			
Interest and other income	1,031	1,352	2,383
Net cash provided (used) by investing activities	1,031	1,352	2,383
Net increase (decrease) in cash	(10,663)	525	(10,138)
Beginning cash balance	181,531	59,628	241,159
Ending cash balance	170,868	60,153	231,021
Restricted cash and cash equivalents	-	51,064	51,064
Cash and cash equivalents	\$ 170,868	\$ 9,089	\$ 179,957
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating income (loss)	\$ (51,037)	\$ (30,991)	\$ (82,028)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	86,512	44,045	130,557
(Increase) decrease in accounts receivable	(164)	(621)	(785)
(Decrease) increase in accounts and other payables	5,715	39	5,754
(Decrease) increase in meter deposits	1,280	-	1,280
Net cash provided (used) by operating activities	\$ 42,306	\$ 12,472	\$ 54,778

Supplemental disclosures of cash flow information:

For the year ended July 31, 2008, there were no operating, financing, or investing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Montgomery (the Town) is operated under the provisions of a Home Rule Charter adopted July 18, 1998. Under the terms of the charter, the Town is governed by its Mayor and a Town Council consisting of five members. In addition to general government operations, the Town also provides police protection, fire protection, street maintenance, sanitation, recreation, water distribution, natural gas distribution, wastewater collection and wastewater treatment.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Montgomery for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Town to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon application of these criteria, there were no potential component units and all of the Town's activities were included in the primary government reporting entity.

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds – The Town's only active major governmental fund is its general fund. The general fund is the primary operating fund and is used to account for all governmental activities.
- Proprietary Funds – Are used to account for business type activities. The operations of the Town's Utility System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from certain franchise taxes, fines and court cost is not recognized until it is collected.

Use Of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

Deferred Revenues

Deferred revenues represent grant funds not fully expended at the end of the year. Grant fund revenues are recognized in the subsequent year as funds are expended to complete the obligations of the grant agreement.

Budget Practices

Budget practices are governed by the Town's Home Rule Charter. In general, the Home Rule Charter considers the final budget from the previous year to be the original budget unless another original budget is adopted prior to the beginning of the year. Budgets are prepared for the Town's general fund by the Town Clerk under the supervision. Upon completion, the budget is submitted to the Board of Aldermen for approval. If amendments are necessary, the amended budgets are prepared and approved in the same manner as the original budget. The budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles.

Capital Assets

Capital assets are carried at historical cost including interest incurred during construction. Infrastructure capital assets consisting of streets, bridges, sidewalks and drainage systems acquired before August 1, 2003 are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash And Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Statement Of Cash Flows:

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash balances at July 31, 2008 are presented as follows:

Cash and Cash Equivalents	\$ 206,832
Restricted Cash and Cash Equivalents	51,064
<u>Total</u>	<u>\$ 257,896</u>

The bank balance of \$264,147 was secured by FDIC insurance totaling \$105,453 and pledged investments held by the custodial bank in the name of the fiscal agent bank with a market value at July 31, 2008 of \$255,211. Even though the pledged securities are considered uncollateralized, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds on demand.

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

NOTE 3 - RECEIVABLES

Details related to receivables at July 31, 2008 are presented as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Sales taxes	\$ 11,018	\$ ----
Grant funds receivable	4,040	----
Miscellaneous governmental sources	3,754	----
Utility and sewer revenues	----	33,680
Allowance for doubtful accounts	---	(5,936)
Total receivables	<u>18,812</u>	<u>27,744</u>
Restricted receivables	---	4,786
Unrestricted receivables	<u>\$ 18,812</u>	<u>\$ 22,958</u>

NOTE 4 - LONG-TERM DEBT

The following is a summary of transactions involving long-term debt for the year ended July 31, 2008:

Bonds payable, July 31, 2007	\$ 46,000
New issues	---
Retirements	(11,000)
Bonds payable, July 31, 2008	<u>35,000</u>
Due within one year	<u>11,000</u>
Due in more than one year	<u>\$ 24,000</u>

Long-term debt consisted of a \$220,000 Sewer Revenue Bond issue dated November 1, 1971, due in annual installments ranging from \$1,000 to \$12,000 plus interest at 5%, with the final installment due January 1, 2011.

A schedule of maturities of long-term debt follows for the years ended July 31:

<u>Year Ended July 31th</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 11,000	\$ 1,750
2010	12,000	1,200
2011	<u>12,000</u>	<u>600</u>
Total	<u>\$ 35,000</u>	<u>\$ 3,550</u>

Interest incurred in connection with long-term debt totaled \$2,049 and the entire balance has been presented as a direct expense of the Towns sewer system.

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

NOTE 5 - AD VALOREM TAXES

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended July 31, 2008, the Town levied 9.65 mills for general corporate purposes.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

NOTE 6 - CAPITAL ASSETS

A summary of the property and equipment reported by the Town's enterprise funds at July 31, 2008 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Land	\$ 13,680	\$ ---	\$ ---	\$ 13,680
<u>Assets Being Depreciated:</u>				
Buildings and Improvements	\$ 118,703	---	---	\$ 118,703
Machinery and Equipment	526,539	19,857	17,089	529,307
Total	645,242	19,857	17,089	648,010
Less Accumulated Depreciation	495,087	28,164	17,089	506,162
Total Net of Depreciation	\$ 150,155	\$ (8,307)	\$ ---	\$ 141,848
<u>Business-Type Activities</u>				
<u>Assets Not Subject to Depreciation</u>				
Land	\$ 37,015	\$ ---	\$ ---	\$ 37,015
Construction in Progress	---	104,251	---	104,251
Total	\$ 37,015	\$ 104,251	\$ ---	\$ 141,266
<u>Assets Being Depreciated:</u>				
Sewer System	\$ 1,287,027	\$ ---	\$ ---	\$ 1,287,027
Water and Gas System:				
Equipment	133,783	---	---	133,783
Gas Distribution System	596,179	---	---	596,179
Water Distribution System	2,031,402	---	---	2,031,402
Total	4,048,391	---	---	4,048,391
Less Accumulated Depreciation	2,029,793	130,558	---	2,160,351
Total Net of Depreciation	\$ 2,018,598	\$ (130,558)	\$ ---	\$ 1,888,040

Depreciation expense reported by various functions is presented as follows:

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

Governmental Activities:

General Government	\$ 2,725
Police Department	9,650
Fire Department	14,588
Streets	1,201
Total Depreciation – Governmental Activities	\$ 28,164

Business-Type Activities:

Utility System	\$ 86,513
Sewer System	44,045
Total Depreciation – Business-Type Activities	\$ 130,558

NOTE 7- RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 - RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition, the corresponding amounts of net assets are also presented as restricted net assets.

NOTE 9 – OPERATING TRANSFERS

Details related to interfund transfers are presented as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Utility System	\$ 54,000	Provide resources necessary for the general fund to meet its obligations.

NOTE 10 – BUDGET VARIANCES

Expenditures exceeded appropriations by more than the amount permitted by State Law. However, failure to fully comply with laws regarding budgeting is not expected to have material financial consequences.

NOTE 11 – SUBSEQUENT EVENTS

Information regarding important events that occurred after July 31, 2008 is described as follows:

Town Of Montgomery

Notes To Financial Statements

July 31, 2008

Litigation

A lawsuit has been filed making allegations against the Town, the Mayor and the Police Chief. Based on consultation with legal counsel, it appears that there is no validity to the allegations contained in the petition. However, the litigation is in preliminary stages and an assessment of the likelihood of an unfavorable outcome or potential loss is not available at this time. The lawsuit is being defended by attorneys retained by the Town's insurance carrier.

Unasserted Claims

Legal counsel has been made aware of certain comments regarding the Town's response to a recent emergency. The emergency involved multiple fatalities and it has been suggested that the Town's response was somehow inadequate. No lawsuit has been filed and no claims have been asserted. Accordingly, any potential financial exposure resulting from this matter cannot be estimated at the present time.

Town of Montgomery

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended July 31, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 66,600	\$ 80,000	\$ 82,462	\$ 2,462
Occupational licenses	31,000	30,000	29,200	(800)
Intergovernmental	15,000	18,000	36,480	18,480
Fines and Court Cost	23,000	23,000	15,246	(7,754)
Miscellaneous	7,760	9,060	13,598	4,538
Total revenues	143,360	160,060	176,986	16,926
General Government:				
Current				
General government	56,200	65,000	57,225	7,775
Public Safety				
Police department	84,000	85,000	97,095	(12,095)
Fire department	12,000	13,535	22,629	(9,094)
Public works				
Sanitation	2,500	2,500	2,441	59
Streets	15,000	12,850	20,140	(7,290)
Culture and recreation	2,800	2,800	7,675	(4,875)
Capital outlay	2,000	22,000	19,857	2,143
Total expenditures	174,500	203,685	227,062	(23,377)
Excess (deficiency) of revenues over expenditures	(31,140)	(43,625)	(50,076)	(6,451)
Other sources (uses)				
Operating transfers in	31,140	43,625	54,000	10,375
Operating transfers out	-	-	-	-
Net Change in Fund Balances	-	-	3,924	3,924
Fund balance - beginning of year	21,536	21,536	21,536	-
Fund balance - end of year	\$ 21,536	\$ 21,536	\$ 25,460	\$ 3,924

TOWN OF MONTGOMERY
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the year ended July 31, 2008

Steven Gunn, Mayor	\$ 2,860
Denise Pearson	905
Joann Lary	925
John Savant	1,000
J.C. Carter	925
Velma Fletcher	<u>1,000</u>
 Total	 <u><u>\$ 7,615</u></u>

ROZIER, HARRINGTON & MCKAY

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M. DALE HARRINGTON, CPA
RETIRED - 2005

January 22, 2009

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Mayor and Board of Aldermen
Town of Montgomery, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery (Town), as of and for the year ended July 31, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town of Montgomery's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

-Members-

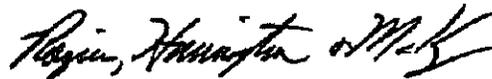
American Institute of Certified Public Accountants • Society of Louisiana CPAs

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Montgomery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned cost as 2008-1.

This report is intended for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town Of Montgomery

Schedule of Findings And Questioned Cost For the Year Ended July 31, 2008

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements of the Town of Montgomery as of July 31, 2008 and for the year then ended expressed an unqualified opinion.
- The audit did not disclose any audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit did disclose an instance of noncompliance that is considered to be material to the financial statements of the Town of Montgomery.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2008 – 1: Budget Violations

For the Town's general fund, expenditures exceeded appropriations by more than the variances allowed by state law.

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- None.

Town Of Montgomery

Management's Corrective Action Plan For the Year Ended July 31, 2008

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings that are material to the financial statements were reported.	Response – N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>2008-1: Budget Violations</u> For the Town's general fund, expenditures exceeded appropriations by more than the variances allowed by state law.	<u>Management's Response</u> Management expects to eliminate future unfavorable variances by appropriating sufficient resources to address unexpected needs that may arise near year end.
SECTION III MANAGEMENT LETTER	
No management letter was issued.	Response – N/A

Town Of Montgomery

Schedule Of Prior Year Findings And Questioned Cost For the Year Ended July 31, 2008

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings of this nature were reported as a result of the previous audit.	Response – N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>2007-1: Budget Violations</u> For the Town's general fund, expenditures exceeded appropriations by more than the variances allowed by state law.	<u>Unresolved</u> See 2008-1
SECTION III MANAGEMENT LETTER	
No findings of this nature were reported as a result of the previous audit.	Response – N/A